

SECURITY AGREEMENT

THIS AGREEMENT is made on this _____ day of _____, 2005, by and between **PRO-ACTIVE COMMUNICATIONS, INC.**, a Nevada corporation or its assigns (“Debtor”), and **RADIO STATION KMJY, LLC**, a Delaware Limited Liability Company or its assigns (“Secured Party”). The parties are individually referred to herein as a “Party” or collectively as the “Parties.”

WHEREAS, Secured Party has loaned to Debtor a sum or sums of money in the aggregate principal amount of Nine Hundred Fifty Thousand Dollars (\$950,000.00) (the “Loan”), evidenced by a Secured Promissory Note of even date herewith; and

WHEREAS, in order to secure repayment of the Loan, interest payable, and any other amounts due and owing to Secured Party thereunder (the “Obligations”), Debtor has agreed to grant a security interest to Secured Party in certain assets of Debtor described below.

NOW, THEREFORE, for valuable consideration, and to secure the payment and performance when due of the Obligations of Debtor to Secured Party, Debtor and Secured Party hereby agree as follows:

1. GRANT OF SECURITY INTEREST

Debtor hereby grants and conveys to Secured Party a first priority continuing security interest in and lien on the Collateral (as defined below), together with all rights, remedies and privileges pertaining thereto, and all substitutions, replacements and proceeds thereof. The “Collateral” means:

(a) all furniture, fixtures, equipment, inventory, books and records, programming, music libraries, computer hardware and software, auxiliary facilities, transmitting towers, transmitters, antennas, antenna line and other electronic equipment and parts, supplies, machinery, and vehicles, and other tangible and intangible personal property of Debtor relating to radio broadcast Station KMJY (FM), licensed to Newport, Washington, FCC Facility Identification Number 29911 as well as those used and useable in the operation of radio broadcast Auxiliary Station KMJY (FM), licensed to Newport, Washington, FCC Facility Identification Number 29911 and radio broadcast Booster Station KMJY (FM1), licensed to Spokane, Washington, FCC Facility Identification Number 159514 (the “Stations”); and

(b) to the extent permitted by law, any and all construction permits, licenses, and authorizations, including those for the Stations (including successor variants of its call sign), issued or granted to Debtor by the Federal Communications Commission (“FCC”) or any other governmental entity or otherwise in connection with the operation of the Stations and any auxiliary broadcast or other facility associated with the Station. The Parties recognize that as of

the date of this Agreement, there is a dispute as to whether the Communications Act of 1934, as amended (the "Act"), and the rules and regulations of the FCC, permit a security interest to extend to a radio broadcast station's FCC construction permits, licenses, and authorizations, and they recognize that courts have held that security interests are permitted to extend to the proceeds of the sale, transfer, or other disposition of such FCC construction permits, licenses, and authorizations, and the Parties agree that if this security interest is not permitted to Debtor's FCC construction permits, licenses, and authorizations, that the security interest shall extend to the proceeds of the sale, transfer, or other disposition of such FCC construction permits, licenses, and authorizations. If the law in this regard is subsequently changed, in whole or in part, then all of the right, title, and interest of Debtor in and to any FCC construction permits, licenses, and authorizations, whether now held or hereafter acquired, shall automatically and immediately become subject to the Secured Party's security interest to the maximum extent permitted by law as then in force and effect.

2. WARRANTIES AND COVENANTS

Debtor warrants and covenants as follows:

(a) To pay and perform all of the Obligations secured by this Agreement in accordance with their respective terms;

(b) To defend the title to the Collateral against all persons and all claims and demands whatsoever. Debtor agrees not to transfer legal or equitable title to the Collateral to any other party without Secured Party's prior written consent;

(c) On demand of Secured Party, to do the following: (i) furnish further assurance of title; (ii) execute any written agreement or do any other acts necessary to effectuate the purposes and provisions of this Agreement; (iii) execute any instrument or statement required by law or otherwise in order to perfect the security interests granted to Secured Party herein; and (iv) continue the security interest of Secured Party in the Collateral;

(d) To retain possession of the Collateral during the existence of this Agreement and not to sell, exchange, assign, deliver, mortgage or otherwise dispose of same without the prior written consent of Secured Party, which Secured Party may grant or deny in its sole discretion;

(e) To keep the Collateral free and clear of all liens, charges, encumbrances, taxes and assessments;

(f) To pay, when due, all taxes, assessments and license fees and premiums relating to the Collateral;

(g) That Debtor's name as shown above is accurate and complete, Debtor is a corporation organized under the laws of the State of Nevada, and Debtor shall obtain the prior written consent of Secured Party before any change in the name or corporate structure of Debtor;

(h) Unless waived by Secured Party, all proceeds from any disposition of the Collateral shall be held in trust for Secured Party; provided however, this requirement shall not constitute consent by Secured Party to any sale or other disposition; and

(i) To perform and comply in all material respects with all obligations under all contracts and agreements to which Debtor is a party or by which it is bound relating to the Collateral, where failure to so comply would result in a material adverse effect on the Collateral, unless the validity thereof is being contested in good faith by appropriate proceedings and such proceedings do not involve the material danger of the sale, forfeiture, or loss of the Collateral which is the subject of such proceedings or the priority of the lien in favor of Secured Party thereon.

3. GENERAL PROVISIONS

(a) Debtor hereby authorizes Secured Party to file, without a signature of Debtor, a financing statement with any governmental authority, to perfect or continue the security interest granted by Debtor to Secured Party under this Agreement, or to file a photographic or other reproduction of this Agreement for use as a financing statement.

(b) Waiver of or acquiescence in any default by the Debtor, or failure of the Secured Party to insist upon strict performance by the Debtor of any warranties or agreements in this Agreement, shall not constitute a waiver of any subsequent or other default or failure.

(c) Any notice required or allowed under this Agreement shall be in writing and shall be deemed given when delivered personally, mailed by certified mail, return receipt requested (postage prepaid), or sent by an overnight delivery service (charges prepaid), and addressed to the following:

If to Secured Party:

Mr. Thomas D. Hodgins,
Managing Member
Radio Station KMJY, LLC
1600 Gray Lynn Drive
Walla Walla, WA 99362

If to Maker:

Mr. Gerald D. Clifton,
Chief Executive Officer
Pro-Active Communications, Inc.
7829 East Highland Ave.
Scottsdale, AZ 85251

or to any other address as the Parties may from time-to-time designate in writing.

(d) This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Washington without giving effect to the choice of law provisions thereof that may direct the application of the laws of another jurisdiction. Any proceedings to enforce this Agreement shall be commenced in a court of competent jurisdiction in the State of Washington. The Parties agree not to assert or interpose any defenses, and do hereby waive the same, to the conferral of personal jurisdiction and venue by such court in any suit, action or proceeding. Any provisions herein declared invalid under any law shall not invalidate any other provision of this Agreement.

(e) The following shall constitute an Event of Default by Debtor:

- (i) Non-Payment. Failure of Debtor to make any payment when due and payable under the Obligations;
- (ii) Violation. Failure of Debtor, within ten (10) days after receipt from Secured Party of notice of non-compliance, to comply with or perform any provision of this Agreement or any other documents evidencing the Obligations;
- (iii) Misrepresentation. False or misleading representations or warranties made or given by Debtor in connection with this Agreement;
- (iv) Levy. Subjection of the Collateral to levy of execution or other judicial process;
- (v) Insolvency. Commencement of any insolvency proceeding by or against Debtor; or
- (vi) Termination of Business Activities. The cession by Debtor of its business activities.

(f) Upon the happening of any Event of Default, at the sole option of Secured Party, Secured Party shall have all the rights, remedies and privileges with respect to

repossession, retention and sale of the Collateral and disposition of the proceeds as are accorded to a secured party by the applicable sections of the Uniform Commercial Code respecting "Default" in effect in the State of Washington, and under applicable federal law, both as of the date of this Agreement

(g) Secured Party's reasonable attorneys' fees, costs of collection and the legal and other expenses for pursuing, searching for, receiving, taking, and selling the Collateral shall become a part of the Obligations secured hereby and shall be immediately chargeable to Debtor.

(h) Debtor shall remain liable for any deficiency resulting from a sale of the Collateral for less than the value of the Obligations and shall pay any such deficiency forthwith to Secured Party upon demand.

(i) Upon the happening of any Event of Default, the Secured Party, in its sole discretion, may (subject to applicable law): (i) enter upon Debtor's premises peaceably, by the Secured Party's own means or with legal process, and take possession of the Collateral, or dispose of the Collateral on Debtor's premises and Debtor agrees not to resist or interfere; (ii) require Debtor to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party reasonably convenient to both Parties; or (iii) unless the Collateral is likely to decline speedily in value or is of a type customarily sold on a recognized market, give Debtor reasonable notice of the time and place of a public sale thereof or of the time after which any private sale or any other intended disposition thereof is to be made. The requirements of reasonable notice will be met if such notice is mailed, postage prepaid, to the address of Debtor shown herein, at least ten (10) days before the time of sale or disposition.

(j) Debtor shall indemnify and hold harmless Secured Party, and its directors, officers, and employees, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, and disbursements of any kind or nature whatsoever including, without limitation, reasonable attorneys' fees and settlements costs, which may be imposed on, incurred by, or asserted against Secured Party, or its directors, officers, employees, or affiliates, in connection with any investigative, administrative, or judicial proceeding (whether Secured Party is or is not designated as a party thereto) directly or indirectly relating to or arising out of this Agreement or the Obligations, or any actual or proposed use of proceeds thereunder, except that neither Secured Party, nor any of its directors, officers, or employees shall have the right to be indemnified hereunder for its own negligence or willful misconduct as determined by a court of competent jurisdiction.

(k) Secured Party may assign this Agreement to any person to whom the Obligations are validly assigned, and if so assigned the assignee shall be entitled, upon notifying Debtor, to all of the rights and remedies of Secured Party hereunder and shall be subject to all of the obligations and responsibilities of Secured Party hereunder.

(l) The captions herein are inserted only as a matter of convenience and for reference and in no way define, limit or describe neither the scope of this Agreement nor the intent of any provision thereof.

(m) The terms, warranties and agreements herein contained shall be jointly and severally binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

(n) The gender and number used in this Agreement are used as a reference term only and shall apply with the same effect whether the Parties are of the masculine or feminine gender, corporate or other form, and the singular shall likewise include the plural.

(o) Any waiver by any Party of any breach of or failure to comply with any provision of this Agreement by any other Party shall be in writing and shall not be construed as, or constitute, a continuing waiver of such provision, or a waiver of any other breach of, or failure to comply with, any other provision of this Agreement.

(p) This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same instrument.

(q) This Agreement constitutes the full and entire understanding and agreement between the Parties with regard to the subject matter hereof, and supersedes all prior agreements or understandings, express or implied, oral or written, relating to the subject matter hereof. This Agreement may be modified only by a document executed by both Parties.

(r) If any provision in this Agreement is held to be invalid, illegal, or unenforceable, this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had not been contained herein, provided that the provision held to be invalid, illegal, or unenforceable is not central to the purpose of this Agreement to secure repayment to Secured Party of its Loan to Debtor.

(s) Notwithstanding any other provisions of this Agreement, any foreclosure on, sale, transfer or other disposition of, or the exercise of any right with respect to, any of the Collateral as provided herein or any other action taken or proposed to be taken hereunder which would affect the operational, voting or other control of any entity holding a license issued by the FCC shall be made in accordance with the Act, the terms of such license, and any applicable rules and regulations of the FCC, including, to the extent applicable under the rules and regulations of the FCC in effect at the time of an Event of Default, any requirement that there be a public or private sale. Notwithstanding anything to the contrary contained in this Agreement, the Secured Party shall not, without first obtaining the consent or approval of the FCC, take any action pursuant to this Agreement which would constitute or result in any change of control of the holder of a license issued by the FCC if any such change in control would require, under then existing law, the prior consent or approval of the FCC.

(t) The Parties acknowledge that both Parties have caused this Agreement to be reviewed and approved by legal counsel of their own choice, or have consciously chosen not to seek such counsel. This Agreement has been specifically negotiated, and any presumption that an ambiguity contained in this Agreement shall be construed against the Party that caused this Agreement to be drafted shall not apply to the interpretation of this Agreement.

(u) Nothing contained in this Agreement shall be construed as giving any person, firm, corporation or other entity, other than the Parties to this Agreement and their successors and permitted assigns, any right, remedy or claim under or in respect of this Agreement or any term or condition contained in this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Security Agreement as of day and year first written above.

DEBTOR:
PRO-ACTIVE COMMUNICATIONS, INC.

By: _____
Gerald D. Clifton, Chief Executive Officer

SECURED PARTY:
RADIO STATION KMJY, LLC

By: _____
Thomas D. Hodgins, Managing Member